

Financial Statements of

**LENNOX AND ADDINGTON COUNTY  
GENERAL HOSPITAL**

Year ended March 31, 2025

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

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Year ended March 31, 2025

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Lennox and Addington County General Hospital

### ***Opinion***

We have audited the financial statements of Lennox and Addington County General Hospital (the Entity), which comprise:

- the statement of financial position as at March 31, 2025
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- the statement of remeasurement gains and losses for the year then ended
- and notes to the financial statements, including a summary of significant accounting policy information.

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2025, and its results of operations, its cash flows, and its remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 3, 2025

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Statement of Financial Position

March 31, 2025, with comparative information for 2024

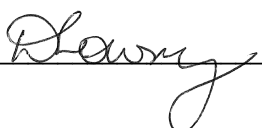
	2025	2024
<b>Assets</b>		
Current assets:		
Cash	\$ 2,324,462	\$ 4,201,500
Short-term investments (note 4)	10,000,000	24,000,000
Ministry of Health receivable	797,552	1,553,400
Accounts receivable (note 2)	3,895,569	3,253,382
Inventories (note 3)	897,404	881,368
Prepaid expenses	394,248	358,865
	<u>18,309,235</u>	<u>34,248,515</u>
Investments (note 4)	23,036,176	12,166,892
Capital assets (note 5)	107,960,540	72,557,301
	<u>\$ 149,305,951</u>	<u>\$ 118,972,708</u>

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:		
Ministry of Health payable	\$ 1,541,249	\$ 1,692,349
Accounts payable and accrued liabilities	10,582,089	5,297,154
Accrued compensation	3,401,987	3,594,661
Loan facilities (note 17)	39,502,786	18,023,947
	<u>55,028,111</u>	<u>28,608,111</u>
Liability for future employee benefits (note 6)	1,362,200	1,334,100
Asset retirement obligation (note 20)	295,569	411,000
Deferred contributions (notes 8 and 10(a))	40,943,034	38,448,230
Net assets:		
Invested in capital assets (note 9(a))	18,931,407	7,501,811
Reserve for future expenditures (note 12(a))	7,762,683	6,400,112
Internally restricted (note 12(b))	5,770,388	5,363,537
Unrestricted	16,907,869	28,650,658
	<u>49,372,347</u>	<u>47,916,118</u>
Accumulated remeasurement gains	2,304,690	2,255,149
	<u>51,677,037</u>	<u>50,171,267</u>
Contingent liabilities (note 11)		
Commitments (notes 18 and 19)		
	<u>\$ 149,305,951</u>	<u>\$ 118,972,708</u>

See accompanying notes to financial statements.

On behalf of the Board

 Director

 Director

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

## Statement of Operations

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Revenue:		
Ministry of Health (note 21)	\$ 31,932,623	\$ 30,782,495
Long-term care - convalescent care (note 15)	3,701,878	3,419,348
Cancer Care Ontario	7,366,885	6,654,570
Other-patient revenue	4,806,288	3,218,873
Other revenue	1,961,546	1,434,000
Amortization of deferred contributions	903,312	627,230
Rental revenue	1,352,732	1,316,885
Cafeteria services	108,726	84,133
Preferred accommodation	166,853	171,205
ALC co-payment	66,945	51,203
Ambulance co-payment	188,265	171,225
	52,556,053	47,931,167
Expenses:		
Salaries and wages	23,898,469	21,037,967
Benefits	5,092,540	4,583,251
Drugs	7,313,178	6,552,405
Medical staff remuneration	3,089,371	1,983,858
Equipment amortization	1,415,427	1,072,666
Medical and surgical supplies	1,131,962	1,141,935
System support	1,169,864	837,787
Laboratory	1,000,722	1,023,744
Administration, finance and human resources	1,363,796	766,961
Nursing	893,045	771,487
External buildings	750,047	526,081
Plant operation	673,169	641,439
Plant maintenance	418,649	412,012
Radiology and ultrasound	668,942	527,704
Housekeeping and material management	470,521	411,040
Convalescent care	535,749	782,454
External building depreciation	406,607	402,027
Software amortization	188,914	184,913
Dietary and food	350,901	284,741
Laundry	237,440	212,827
Other diagnostic and therapeutic	254,605	200,890
Bad debts	467,116	126,940
Loss on disposal of capital assets	-	61
	51,791,034	44,485,190
Excess of revenue over expenses before the undernoted	765,019	3,445,977
Capital activity:		
Amortization of deferred contributions	884,748	926,303
Gain on disposal of investments	(283,870)	1,435,374
Investment income	1,289,047	1,794,880
Other expenses	(59,032)	(71,125)
Building amortization	(1,139,683)	(1,179,055)
	691,210	2,906,377
Excess of revenue over expenses	\$ 1,456,229	\$ 6,352,354

See accompanying notes to financial statements.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

## Statement of Changes in Net Assets

Year ended March 31, 2025, with comparative information for 2024

	Invested in Capital Assets	Reserve for Future Expenditures	Internally restricted	Unrestricted	2025 Total	2024 Total
Balance, beginning of year	\$ 7,501,811	\$ 6,400,112	\$ 5,363,537	\$ 28,650,658	\$ 47,916,118	\$ 41,563,764
Excess (deficiency) of revenue over expenses (note 9(b))	(1,362,571)	1,362,571	–	1,456,229	1,456,229	6,352,354
Net change in investment in capital assets (note 9(b))	12,792,167	–	–	(12,792,167)	–	–
Interfund transfer	–	–	406,851	(406,851)	–	–
Balance, end of year	\$ 18,931,407	\$ 7,762,683	\$ 5,770,388	\$ 16,907,869	\$ 49,372,347	\$ 47,916,118

See accompanying notes to financial statements.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

## Statement of Cash Flows

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,456,229	\$ 6,352,354
Items not involving cash:		
Amortization of deferred contributions	(1,788,060)	(1,553,533)
Amortization of capital assets	3,150,631	2,838,661
Loss on disposal of capital assets	-	61
Employee future benefits	28,100	26,800
(Decrease) increase in asset retirement obligations	(115,431)	60,000
Change in non-cash operating working capital:		
Accounts receivable	(642,187)	(1,106,735)
Ministry of Health receivable	755,848	1,032,627
Inventories	(16,036)	(387,135)
Prepaid expenses	(35,383)	(116,661)
Accounts payable and accrued liabilities	5,284,935	3,536,003
Accrued compensation	(192,674)	(1,269,417)
Ministry of Health payable	(151,100)	591,355
	<u>7,734,872</u>	<u>10,004,380</u>
Capital activities:		
Purchase of capital assets	(38,553,870)	(26,858,531)
Additions to deferred contributions	4,282,864	15,153,524
	<u>(34,271,006)</u>	<u>(11,705,007)</u>
Investing activities:		
Redemption (purchase) of short-term investments	14,000,000	(24,000,000)
(Purchase) redemption of long-term investments	(10,819,743)	6,906,997
Proceeds from long-term debt	21,478,839	18,023,947
	<u>24,659,096</u>	<u>930,944</u>
Decrease in cash	(1,877,038)	(769,683)
Cash, beginning of year	4,201,500	4,971,183
Cash, end of year	<u>\$ 2,324,462</u>	<u>\$ 4,201,500</u>

See accompanying notes to financial statements.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

## Statement of Remeasurement Gains and Losses

Year ended March 31, 2025, with comparative information for 2024

	2025	2024
Accumulated remeasurement gains, beginning of the year	\$ 2,255,149	\$ 4,320,859
Unrealized gains (losses) attributable to: Long-term investments:		
Designated fair value	49,541	(2,065,710)
Accumulated remeasurement gains, end of the year	\$ 2,304,690	\$ 2,255,149

See accompanying notes to financial statements.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements

Year ended March 31, 2025

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The Lennox and Addington County General Hospital was incorporated under the Corporations Act of Ontario and its principal activity is the provision of health services.

These financial statements present the financial position and results of operations of Lennox and Addington County General Hospital (the "Hospital"), which is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

## 1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations:

### (a) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health/Ontario Health (the "Ministry"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the Ministry with respect to the year ended March 31, 2025.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Ontario Hospital Insurance Plan, in-patient and out-patient services, preferred accommodation and marketed services and recoveries and other revenue are recognized when the goods are sold or the services are provided, performance obligations fulfilled, and future economic benefits are measurable and expected to be obtained.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

## 1. Significant accounting policies (continued):

### (b) Capital assets:

Purchased capital assets are recorded at cost while contributed capital assets are recorded at fair value at the date of contribution. When capital assets are abandoned or sold, their costs are removed from the accounts. Amortization is recorded when the assets are put in use. Amortization of the building and building service equipment is recorded as an expense of the capital fund while amortization of major equipment is recorded as an expense of the revenue fund.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Land improvements	7% to 10%
Building	3% to 9%
Major equipment	4% to 33.3%
Building service equipment	5% to 20%
Software license	20% to 33.3%

Costs of construction in progress are capitalized and include the carrying cost of any related debt during the construction phase. Amortization is not recognized until construction is complete and the assets are ready for productive use.

### (c) Volunteer services:

The Hospital benefits from the voluntary services of many members of the community. Since these services are not normally purchased by the Hospital and because of the difficulty of determining their fair value, volunteer services are not recognized in these financial statements.

### (d) Inventories:

Inventories are valued at lower of cost and net realizable value.

### (e) Employee future benefits:

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

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## 1. Significant accounting policies (continued):

### (e) Employee future benefits (continued):

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the employee benefit plan is 13 years (2024 - 15 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

The Hospital participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2024 disclosed actuarial assets of \$123 billion (2023 - \$112 billion) with accrued pension liabilities of \$113 billion (2022 - \$102 billion), resulting in a surplus of \$10 million (2023 - \$10 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2024 based on the assumptions and methods adopted for the valuation.

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any unrealized gain or loss is adjusted through the Statement of Remeasurement Gains and Losses.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

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## 1. Significant accounting policies (continued):

### (f) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations.

Canadian public sector accounting standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities

### (g) Asset retirement obligations:

The Hospital recognizes the fair value of an asset retirement obligation ("ARO") when all of the following criteria have been met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

Actual remediation costs incurred are charged against the ARO to the extent of the liability recorded. Differences between the actual remediation costs incurred and the associated liability are recognized in the Statement of Operations at the time of remediation.

### (h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

## 2. Accounts receivable:

	2025	2024
Accounts receivable	\$ 2,768,072	\$ 1,047,284
Receivable from Cancer Care Ontario	691,048	631,743
HST receivable	791,071	1,072,945
Accrued interest	193,376	677,561
	4,443,567	3,429,533
Less allowance for doubtful accounts	547,998	176,151
	\$ 3,895,569	\$ 3,253,382

## 3. Inventories:

The major classifications of inventories are:

	2025	2024
Stores	\$ 162,480	\$ 164,046
Laboratory	67,783	54,147
Pharmacy	667,141	663,175
	\$ 897,404	\$ 881,368

## 4. Investments:

(a) Long-term investments:

	Level	2025	2024
Equity instruments, quoted in an active market:			
Shares	2	\$ 8,705,958	\$ 3,358,553
Fixed income	2	1,499,289	2,077,089
Mutual funds	2	12,830,929	6,731,250
		\$ 23,036,176	\$ 12,166,892

During the year, \$10,000,000 was transferred from the general operating account (2024 - \$13,800,000 to the general operating account). There were no other transfers in or out of Levels 1, Level 2 and Level 3 for the years ended March 31, 2025 and 2024.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

## 4. Investments (continued):

### (b) Short-term investments:

During the year, the Hospital purchased three guaranteed investment certificates in the amount of \$10,000,000 with interest rate yields between 2.75% and 4.03%, maturing between April 2025 and October 2025.

Accrued interest of \$193,376 (2024 - \$677,561) is included as a component of accounts receivable.

## 5. Capital assets:

	Cost	Accumulated amortization	2025 Net book value	2024 Net book value
Land and land improvements	\$ 2,732,332	\$ 535,017	\$ 2,197,315	\$ 2,237,673
Building	110,819,323	19,889,798	90,929,525	59,049,581
Building service equipment	19,030,060	14,184,323	4,845,737	2,796,843
Major equipment	6,286,587	3,251,468	3,035,119	4,531,620
Software license	13,089,615	6,136,771	6,952,844	3,941,584
	<u>\$ 151,957,917</u>	<u>\$ 43,997,377</u>	<u>\$ 107,960,540</u>	<u>\$ 72,557,301</u>

The capital assets presented above include work-in-progress of \$65,847,121 (2024 - \$30,173,024). Notes 17, 18 and 19 to the financial statements provide additional disclosure surrounding ongoing major capital projects.

Cost and accumulated amortization at March 31, 2024 amounted to \$113,528,425 and \$40,971,124, respectively.

## 6. Employee future benefits:

The Hospital provides extended health care, dental and life insurance benefits to certain past employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at April 1, 2024. The next valuation of the plan will be effective April 1, 2027.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

## 6. Employee future benefits (continued):

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligation are as follows:

Discount rate - expense	4.70% (2024 - 4.50%)
Discount rate - disclosure	4.50% (2024 - 4.70%)
Dental benefits escalation	5.00% to 2028; decreasing to an ultimate rate of 3.57% in 2040 (2024 – 3.00% to 2025; increasing to an ultimate rate of 4.47%)
Health benefits escalation	5.97% to 2028; decreasing to an ultimate rate of 3.57% by 2040 (2024 - 5.57% to 2025; decreasing to an ultimate rate of 3.57%)

The continuity of the Hospital's accrued benefit liability is as follows:

	2025	2024
Accrued benefit liability, opening balance	\$ 1,334,100	\$ 1,307,300
Current service costs	127,500	103,500
Interest on accrued benefit obligation	70,300	50,900
Benefits paid for the period	(159,100)	(92,900)
Amortization of actuarial gains	(10,600)	(34,700)
Accrued benefit liability, closing balance	\$ 1,362,200	\$ 1,334,100

The accrued benefit liability, includes the following components:

	2025	2024
Accrued benefit obligation	\$ 1,334,100	\$ 1,115,500
Revised demographic and assumptions	194,300	–
Unamortized actuarial (loss) gains	(166,200)	218,600
	\$ 1,362,200	\$ 1,334,100

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

## 7. Pension plan:

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the plan made during the year by the Hospital on behalf of its employees amounted to \$1,733,224 (2024 - \$1,597,666) and are included in the Statement of Operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variations between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan's 2024 Annual Report indicates the plan is fully funded at 111%.

## 8. Deferred contributions related to capital assets:

Deferred contributions reported in the Statement of Financial Position include the unamortized portion of deferred contributions with which some of the Hospital's capital assets were originally purchased. The amortization of deferred contributions is recorded as revenue in the Statement of Operations. Changes for the year in deferred contributions are as follows:

	2025	2024
Balance, beginning of year	\$ 38,448,230	\$ 24,848,239
Additional contributions during the year	4,282,864	15,153,524
	42,731,094	40,001,763
Amounts amortized to revenue during the year	(1,788,060)	(1,553,533)
Balance, end of year	\$ 40,943,034	\$ 38,448,230

The balance of unamortized and unspent funds consists of the following:

	2025	2024
Unamortized capital contributions used to purchase assets	\$ 40,943,034	\$ 38,448,230
	\$ 40,943,034	\$ 38,448,230

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

## 9. Invested in capital assets:

(a) The investment in capital assets is calculated as follows:

	2025	2024
Capital assets	\$ 107,960,540	\$ 72,557,301
Amounts financed by:		
Deferred contributions	40,943,034	38,448,230
Amounts credited by the Foundation	8,583,313	8,583,313
Long-term debt	39,502,786	18,023,947
<b>Balance, end of year</b>	<b>\$ 18,931,407</b>	<b>\$ 7,501,811</b>

(b) The change in investment in capital assets is calculated as follows:

	2025	2024
Deficiency of revenue over expenses:		
Amortization of capital assets	\$ (3,150,631)	\$ (2,838,661)
Amortization of deferred contributions	1,788,060	1,553,533
Loss on disposal of capital assets	-	(61)
	<b>\$ (1,362,571)</b>	<b>\$ (1,285,189)</b>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 38,553,870	\$ 26,858,531
Amounts funded by deferred contributions	(4,282,864)	(16,090,101)
Proceeds on long-term debt	(21,478,839)	(18,023,947)
	<b>\$ 12,792,167</b>	<b>\$ (7,255,517)</b>

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

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## 10. Related entities:

### (a) Lennox and Addington County General Hospital Foundation:

The Hospital has entered into a fundraising/public relations arrangement with the Lennox and Addington County General Hospital Foundation (the "Foundation"). The Foundation has been established to encourage and to co-ordinate the continuing high level of community financial support to meet the long-term capital financing needs of the Hospital. In accordance with this arrangement, donations received by the Hospital are transferred to the Foundation for the purpose of interim investment and management. The Hospital has economic interest, but not control, in the Lennox and Addington County General Hospital Foundation.

Related party transactions during the year not separately disclosed in the financial statements include the following:

- (i) The Hospital received amounts totaling \$3,607,210 (2024 - \$3,580,746 for purchase of capital assets) that have been contributed from the Foundation to support the purchase of capital assets and staff education.

### (b) Lennox & Addington County General Hospital Volunteer Services:

The Lennox & Addington County General Hospital Volunteer Services raises funds through various volunteer services. The Hospital received amounts totaling \$19,201 (2024 - \$9,447) that have been contributed from Volunteer Services, which are recorded as deferred contributions to be used to fund the purchase of capital assets. The Hospital has economic interest, but not control, in the Lennox & Addington County General Hospital Volunteer Services.

### (c) Kingston Regional Hospital Laundry Incorporated:

Kingston Regional Hospital Laundry Incorporated, a corporation incorporated under the laws of the Province of Ontario, provides laundry services, linen replacement, uniforms and other related laundry services to the five hospitals in the Kingston region. The Hospital exercises significant influence, but not control, over Kingston Regional Hospital Laundry Incorporated.

Kingston Regional Hospital Laundry Incorporated provides laundry services to the Hospital based on rates reflecting the costs, expenses and disbursements incurred by them in the normal course of business relating to the provision of laundry services. The Hospital contributes toward approved capital improvements and replacement costs incurred by Kingston Regional Hospital Laundry Incorporated. During the year, the Hospital paid \$318,170 (2024 - \$300,826) to Kingston Regional Hospital Laundry Incorporated for laundry services.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

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## 11. Contingent liabilities:

- (a) The nature of the Hospital's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2025, management believes the Hospital has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

The Hospital is part of a collective bargaining unit that is in the process of developing pay equity plans with certain employee groups. It is not possible at this time to make an estimate of the amount that may be payable to these labour groups and accordingly no provision has been made in the financial statements.

- (b) Healthcare Insurance Reciprocal of Canada:

The Corporation became a member of the Healthcare Insurance Reciprocal of Canada ("HIROC") on January 1, 2022. HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2025.

Since its inception in 1987, HIROC has accumulated an un-appropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions to or receivables from HIROC as of March 31, 2025.

- (c) Employment matters:

During the normal course of operation, the Hospital is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

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## 12. Restriction on net assets:

- (a) The reserve for future expenditures represents internally restricted funds which the Board has set aside to fund future expenditures at their discretion.
- (b) The internally restricted net assets represent amounts set aside to fund capital purchases as approved by the Board of Directors. The income earned on the fund is to be restricted in the same manner as the fund itself.

## 13. Financial risks and concentration of credit risk:

- (a) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to the accounts receivable and investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2025 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the Statement of Operations.

As at March 31, 2025, \$276,501 (2024 - \$146,506) of net trade accounts receivable were past due greater than 90 days, but not impaired.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk of the Hospital as at March 31, 2025 is the carrying value of these assets.

There have been no significant changes to the liquidity risk exposure from 2024.

- (b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

Current liabilities exceed current assets by \$36,718,876 at March 31, 2025. This is a result of the loan facilities drawn during the year as described in note 17, which will be converted to long-term debt in fiscal 2026.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

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## 13. Financial risks and concentration of credit risk (continued):

### (c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital's revenue or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2024.

### (d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Hospital to cash flow interest rate risk.

There have been no significant changes to the interest rate risk exposure from 2024.

## 14. Diabetes Education Program:

The Ministry funded \$295,516 (2023 - \$296,280) for the Diabetes Education Program. Ministry of Health revenue includes funding in the amount equal to expenses for the Diabetes Education Program. The expenses for this program totaled \$211,814 during the year (2024 - \$216,215) for salaries, supplies and sundry expenses and a transfer to Kingston Health Sciences Centre of \$70,488 (2024 - \$70,488) to administer their portion of the Diabetes program.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

## 15. Long-term care - convalescent care:

	2025	2024
Revenue:		
Contributions - Ontario Health	\$ 3,701,878	\$ 3,419,348
Expenses:		
Nursing and personal care	2,329,022	1,978,242
Program and support services	411,245	366,720
Raw food	80,169	69,960
Other accommodations	1,325,290	1,490,355
Amortization (net)	81,975	79,009
	4,227,701	3,984,286
Deficiency of revenue over expenses	\$ (525,823)	\$ (564,938)

## 16. Hospice Lennox & Addington:

Ontario Health funded \$164,053 (2024 - \$110,143) for Hospice Lennox & Addington. These funds are transferred to Hospice Lennox & Addington to administer the program and are not included in the Hospital's Statement of Operations.

## 17. Loan facilities:

Loan facilities consist of the following:

	2025	2024
Construction loan, Ontario Financing Authority, unsecured, bearing interest at the Ontario Treasury Bill rate plus 3.8%, repayment as described below	\$ 32,869,340	\$ 13,733,727
Project loan, Ontario Financing Authority, unsecured, bearing interest at the lender's floating rate plus 3.3%, repayment as described below	6,633,446	4,290,220
	\$ 39,502,786	\$ 18,023,947

The purpose of the construction loan is to finance the construction of a 128 bed long-term care facility as described in note 18. The purpose of the project loan is to finance the development of the regional hospital information system project as described in note 19.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

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## 17. Loan facilities:

The construction loan is a non-revolving loan facility to a maximum of \$31,500,000. During the construction period, no repayments are required pending the terms of the agreement are met, with interest being added to the principal balance. Provided that all conditions precedent to conversation have been satisfactorily completed, upon the earlier of substantial completion and August 26, 2025 the construction loan converts into a term loan with a 25-year amortization period, repayable in semi-annual blended payments, bearing interest at the Ontario Treasury Bill rate plus 3.8%.

The project loan is a non-revolving loan facility to a maximum of \$7,000,000. During the project development period, no repayments are required pending the terms of the agreement are met, and interest is added to the principal balance. Provided that all conditions precedent to conversation have been satisfactorily completed, upon the earlier of receipt of a completion certificate and December 31, 2025 the project loan converts into a term loan with a 15-year amortization period, repayable in semi-annual blended payments, bearing interest at the lender's floating rate plus 3.3%.

Interest accrued and added to the principal balances amounted to \$2,017,430 as at March 31, 2025 (2024 - \$384,591).

## 18. Long-term care development project:

In June 2023, the Hospital received approval from the Ministry to construct a 128 bed long-term care facility with an estimate project cost of \$63 million. The construction work commenced in June 2023 and is scheduled for completion in August 2025. The Hospital received a construction grant of \$10.368 million from the Ministry and has secured debt financing of \$31.5 million as described in note 17. The remaining balance of the project will be funded through internal funds and fundraising efforts.

As of March 31, 2025, the Hospital has incurred costs of \$54 million for the development of this project, which are included in capital assets on the Statement of Financial Position. The balance of \$9 million is expected to be incurred in the 2026 fiscal year.

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

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## 19. Regional hospital information system:

The Hospital is currently in the post go-live phase of a major information systems project (referred to as “Lumeo RHIS”) to replace its core clinical system. Go-live occurred in the third quarter of the fiscal year with subsequent projects expected to be required to achieve system optimization. The project is being delivered under a “Governance and Master Services Agreement” led by Kingston Health Sciences Centre in partnership with Brockville General Hospital, Perth and Smith Falls District Hospital, Providence Care Centre and Quinte Health Care Corporation. The partners had gone through a rigorous process of procurement and planning and commenced implementation in July 2021. Under the agreement, the Hospital is responsible for specific costs relating to the local site implementation in addition to a proportionate share of regional costs.

Costs incurred to date of \$7.79 million (2024 - \$3.31 million) are included in capital assets on the Statement of Financial Position.

## 20. Asset retirement obligations:

The Hospital’s asset retirement obligations relate to the legally required removal or remediation of asbestos-containing materials in certain buildings. The obligation is determined based on the estimated undiscounted cash flows that will be required in the future to remove or remediate the asbestos containing material in accordance with current legislation.

The change in the estimated obligation during the year consists of the following:

	2025	2024
Balance, beginning of year	\$ 411,000	\$ 351,000
Add: inflation adjustment	7,518	60,000
Less: obligation settled during the year	(122,949)	–
Balance, end of year	\$ 295,569	\$ 411,000

# LENNOX AND ADDINGTON COUNTY GENERAL HOSPITAL

Notes to Financial Statements (continued)

Year ended March 31, 2025

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## 21. Bill 124:

On November 29, 2022, there was a successful Charter of Rights challenge before the Ontario Supreme Court of Justice which rendered a decision to repeal the *Protecting a Sustainable Public Sector for Future Generations Act, 2019* (Bill 124). As a result, collective agreements which were capped by the previous legislation were reopened for renewed negotiations.

In the prior year, the Hospital paid retroactive wage adjustments to employees as a result of the reopener provisions. Ongoing impacts of the reopener provisions are reflected in the Hospital's current wage rates and are included in the reported amounts of salaries, wages and benefits. In the current fiscal year, the Ministry provided the Hospital with ongoing base funding to partially offset the costs of the wage adjustments.

## 22. Comparative information:

Certain comparative information has been reclassified from that previously presented to conform to the financial statement presentation adopted this year.